

2021
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No. 110

ECONOMIC INTELLIGENCE REPORT

IDEOLOGICAL DETERMINANTS OF SOVIET TRADE
WITH THE NON-COMMUNIST WORLD

CIA HISTORICAL REVIEW PROGRAM
RELEASE AS SANITIZED
1998



CIA/RR 59-23

June 1959

CENTRAL INTELLIGENCE AGENCY

OFFICE OF RESEARCH AND REPORTS

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FOREWORD

This report attempts to make explicit the influence of Communist political doctrine on the development of Soviet trade with the non-Communist world.. Within the limits prescribed by Soviet attitudes toward the West -- limits which as long ago as 1927 Stalin declared were "set by the opposite characters of the two systems, between which there is competition and conflict" -- Soviet economic planners are, of course, willing to behave like "economic men," and Soviet foreign economic policy is motivated by commercial as well as political considerations. It is believed, however, that the Soviet "world view" and changes in the Soviet "world view" determine the development of Soviet trade with the West. It is also believed that the parameters of this trade, which are determined by Soviet attitudes toward world historical development, reflect both current and ultimate Communist political goals.

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IDEOLOGICAL DETERMINANTS OF SOVIET TRADE
WITH THE NON-COMMUNIST WORLD*

Summary and Conclusions

For Communist leaders in 1917, who felt themselves poised on the threshold of world revolution, "coexistence" was considered little more than a short-run tactic applicable only until the Bolsheviks had consolidated their victory in Russia. They did not foresee any possibility of a permanent, or even a prolonged, accommodation between the capitalist world and the USSR. Soon faced, however, with the failure of world revolution to materialize, with the surprising recuperative powers of world capitalism, and with pressing economic demands at home, these leaders saw that some adjustment of Communist doctrine was mandatory in terms of an indeterminate period of "coexistence with the capitalist encirclement." That an inevitable and violent struggle between East and West would be the dramatic climax to this transitional epoch, however, was never seriously doubted, or indeed denied, by Soviet leaders.

In view of the "breathing space" which history had apparently granted the capitalist world, Soviet foreign trade policy, too, became oriented -- and ultimately reconciled -- to a period of coexistence with the non-Communist world. Convinced, however, that the "partial, relative, and temporary stabilization of capitalism" would not be a long one and that an ultimate struggle between the two systems was an inescapable part of the historical process, Soviet policymakers viewed international trade as a tactical expedient rather than as an end desirable in itself. Although the advantages of an international division of labor and of a worldwide exchange of goods and services were recognized by Soviet leaders, they accepted only those features which would contribute to the strengthening of the USSR's economic and military potential and which would not reduce state control over the economy. Stalin's almost pathological concern for security made the pursuit of economic self-sufficiency an openly avowed goal of Soviet policy and severely limited both the volume and the pattern of Soviet foreign trade.

* The estimates and conclusions in this report represent the best judgment of this Office as of 1 June 1959.

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But the quest of the USSR for economic independence from what it regarded as a hostile capitalist environment -- an insulation which would serve to protect the USSR from economic penetration during the period of coexistence and to guarantee its victory during the "inevitable clash" to follow -- was not synonymous with autarky in the sense of a proscription of all trade. Economic realities had clearly demonstrated to Soviet economic planners that self-sufficiency could be achieved most rapidly through an expansion of selected imports from the more industrialized countries of the West. The "granite wall separating two worlds" which characterized the monopoly of foreign trade during the prewar period at the same time was to "serve as a bridge to transfer to the USSR the advanced technical development of the capitalist countries." 1/*

In the postwar period, however, factors which could not possibly have been foreseen by earlier Soviet policymakers -- the threat of mutual destruction inherent in war in a nuclear age coupled with a rapid growth in the economic capabilities of the Sino-Soviet Bloc -- ostensibly have motivated Soviet leaders to renounce violent conflict as a means to ultimate Communist aspirations in favor of a carefully conceived and skillfully executed campaign of "competitive coexistence." Originally devised as only a tactical maneuver, an interval between battles, "peaceful coexistence" in its new "competitive" form has now become a positive element of Soviet strategy -- it has become the battle itself. The last doctrinal impediments to a peaceful modus vivendi with the non-Communist world -- the concepts of capitalist encirclement and the inevitability of war -- ostensibly have been discarded, and in their place has been proffered the prospect of a prolonged contest of economic strength with the West.

Within this context, the motives of Soviet foreign economic policy may be stated simply: (1) in the industrial West, to utilize economic contacts with the Free World to keep abreast of Western technology and to hasten an economic growth the immediate aim of which is to "overtake and surpass" the capitalist West, and (2) in the underdeveloped areas of the world, to help free these newly independent areas from Western influence and subsequently to create in them, either through economic blandishments from the Bloc or through the domestic appeal to Communism, an increasing vulnerability to ultimate absorption into the Communist sphere. If, in the meantime, economic pressure is created upon capitalist countries dependent on this area for markets and sources of supply and/or if it leads to conflicts within the Free World tending to weaken its unity, so much the better.

* For serially numbered source references, see the Appendix.

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In summary, a critical evaluation of the history of Soviet policy relating to foreign trade suggests the following conclusions. The extent to which the USSR is willing to trade with the Free World remains today, as it has for the past 40 years, a reflection of its current policies and ultimate aspirations, both political and economic. The concept of "coexistence" which characterizes current East-West relations comprises, in Soviet eyes, nothing less than the time required to bring the still economically backward East up to the level of the advanced industrial countries. The active "export" of revolution has been subordinated to an emphasis on rapid economic growth, the ultimate aim of which is to establish the economic and cultural superiority of socialism over capitalism. If and when this objective is attained, another phase in the development of East-West relations will have been reached: the reactivation of the revolutionary potential in the Western world either through the inherent contradictions and crises of a capitalist society increasingly bereft of its colonial markets and sources of cheap labor and materials or through the active military intervention of the USSR.

Because the USSR is committed to a rapid rate of economic growth, the achievement of which requires a planned and controlled economy, Soviet authorities appear to be unwilling to tolerate any vitiation of their exclusive control of the organs of foreign trade or of the subordination of foreign trade to the dictates of the national economic plan. Although imports from the West may indeed be called upon to make a substantial contribution to Soviet economic growth, it is unlikely that such trade will be permitted to attain a level at which it may exert a disruptive influence on planned rates of growth internally. Predicated on a philosophy which conceives as impossible any relation but one of hostility between East and West and which regards open conflict, if not as inevitable, then at least as always an imminent possibility, Soviet policy on foreign trade continues to ignore, as irrelevant, a comparison of current Soviet costs with foreign costs in those industries which are deemed "strategic" to Soviet national interests. The USSR seems willing (and, perhaps more importantly, capable) of bearing the economic costs which a departure from a trade pattern more nearly reflecting present comparative advantage entails. The sacrifice of productivity and the loss of efficiency, in Soviet eyes, apparently have been amply compensated for by the long-term advantages accruing to an economy which for 40 years has sought to accommodate itself to the isolation that war would bring.

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I. Introduction.*

"The foreign trade policy of the USSR is an integral part of its foreign policy." 2/ Implicit in this quotation from a Soviet textbook published in 1958 is the fundamental divergence between Communist and capitalist approaches to international trade -- between (1) a foreign trade operated and administered exclusively by state organs, conducted on the basis of national economic planning, and made to subserve the ends of a political creed, and (2) a trade carried on predominantly by private enterprise more or less in spontaneous response to market conditions. Soviet foreign trade is as much a political as an economic phenomenon. Inseparable as it is from Soviet foreign policy, Soviet trade must be viewed within a framework of hostility between East and West which admits of no facile comparison with normal Western economic relations, based as they are on a common tradition of mutual trust and confidence.

For the purposes of this report, the Soviet concept of a polarized world economy -- one encompassing two separate and parallel world markets -- has been used as a point of departure. The commercial relations between these two systems are the subject of this report. This approach seems justified as much by the presence in Soviet minds of the "antagonistic contradictions and mutual hostility" which frustrate trade relations with the West as by their presumed absence in the "higher form of economic collaboration" which ostensibly governs Soviet relations with the Satellites. It is the aim of this report to make explicit the influence of this Soviet "world view" on the development of Soviet trade with the non-Communist world.

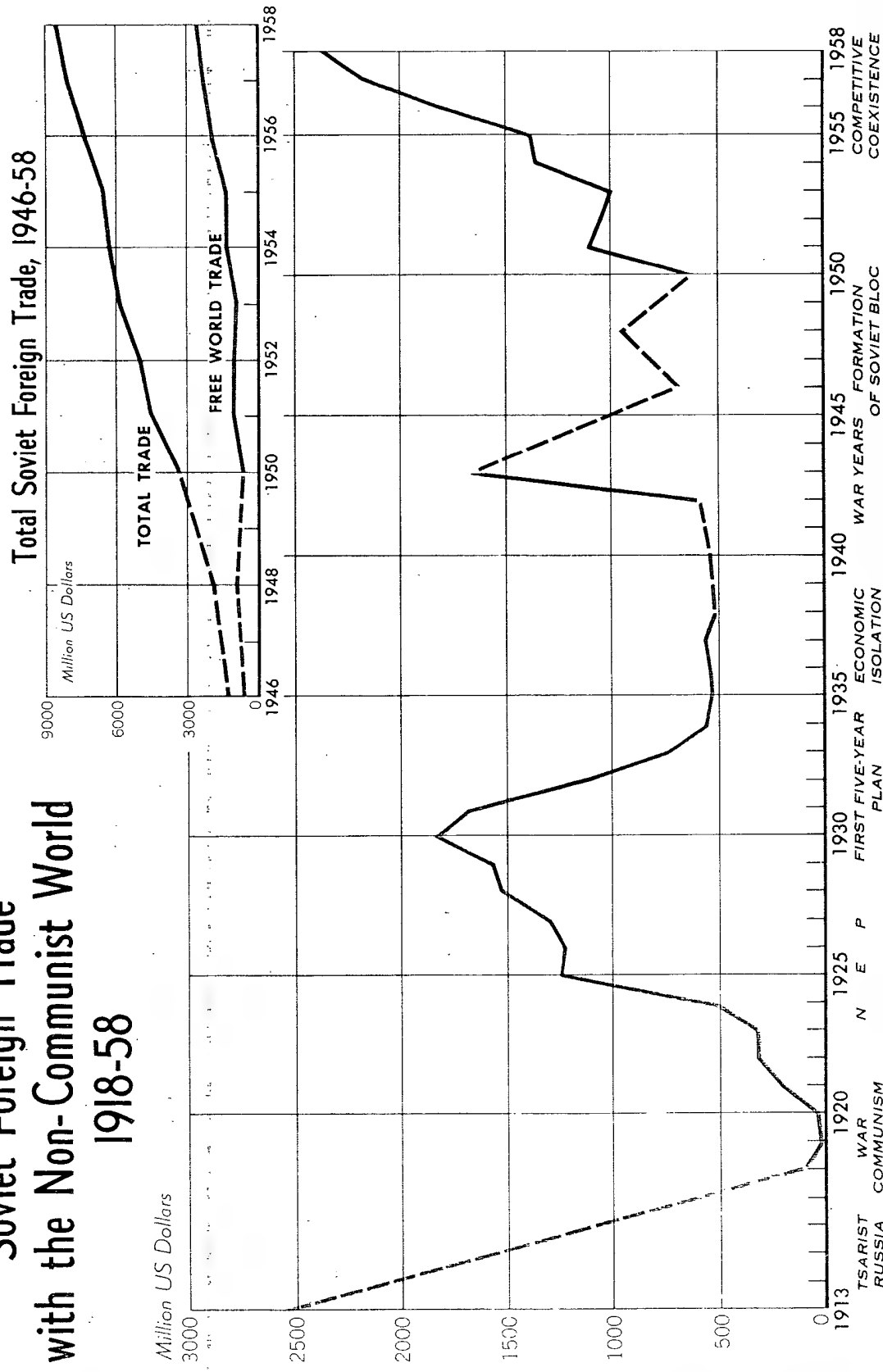
II. Communist Doctrine and "Coexistence" (1918-40).

A. Genesis and Development.

If there was one characteristic common to all the Bolshevik leaders in 1917, it was their almost messianic faith in the imminent coming of world revolution and in the rapidly approaching collapse of the capitalist world. Nevertheless, although in 1917 it had been possible to argue that revolutionary prospects in the West were favorable, subsequent events rapidly transformed the prevailing Party mood of optimism to one of disappointment. The wave of revolution that swept over Europe in the wake of the Bolshevik uprising -- in Germany, Italy, Hungary, and the Baltic states -- ended in a series of defeats, and in 1925 the Fifth World Congress of the Comintern was obliged to recognize that the tide of revolution had ebbed and that the world had

* For a graphic presentation of the value of Soviet foreign trade with the non-Communist world, 1918-58, see the chart, following p. 4.

Soviet Foreign Trade with the Non-Communist World 1918-58



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witnessed "a partial, relative, and temporary stabilization of capitalism." Skepticism as to the success of a renewed effort at world revolution and conviction that an extended truce with world capitalism was both unavoidable and, on the whole, desirable for the Soviet state led naturally to a reappraisal of the role which the USSR was to play in international affairs. From Stalin's point of view it would have been utter folly to risk the reality of socialism in the USSR for the nebulous shadow of revolution abroad.

In an attempt to clothe his actions in the mantle of Marxist orthodoxy, Stalin took great pains to seek what little doctrinal justification he could find in the writings of Lenin. He sought it in Lenin's theory of imperialism. "The real greatness of Lenin," declared Stalin, "consists in his raising up openly, honestly, and fearlessly the question of the necessity of a new formula, and in proclaiming the possibility of the victory of the proletarian revolution in separate countries." 3/

Lenin had maintained that capitalism in its last and moribund stage inevitably turns monopolist and imperialist. Gigantic trusts and international cartels engage in fierce rivalry for the control of world markets. The capitalist system, impelled by its frantic quest for profits, transcends national boundaries, permeates every corner of the globe, and merges into one world capitalist system. Revolution, accordingly, occurs not as earlier Marxists had predicted, simply as a result of local conditions, but rather as the result of the total interplay of forces within the world capitalist system. Revolutions need not take place first in the countries that are most advanced industrially, as Marx's historical materialism seemed once to imply. On the contrary, they are more likely to occur as a break in the world "front" of the capitalist system -- at a point where the chain has its weakest link.

Stalin wrote as follows:

The front of capital will be pierced where the chain of imperialism is weakest, for the proletarian revolution is the result of the breaking of the chain of the world imperialist front at its weakest link; and it may turn out that the country which has started the revolution, which has made a breach in the front of capital, is less developed in a capitalist sense than other, more developed countries, which have, however, remained within the framework of capitalism.

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In 1917 the chain of the imperialist world proved to be weaker in Russia than in the other countries. It was there the chain gave way and provided an outlet for the proletarian revolution. 4/

Having sought doctrinal justification for "socialism in one country" in Lenin's theses on imperialism, Stalin set forth a complete exposition of his views in The October Revolution and the Tactics of the Russian Communists, published in December 1924. The work, however, clearly demonstrated the naiveté of those who saw in "socialism in one country" the promise of a permanent, peaceful co-existence between capitalism and Communism. Those are "wrong," wrote Stalin, who regard the victory of socialism in one country as an end in itself, as merely a "national phenomenon," as "something passive." He also wrote as follows:

The world significance of the October Revolution lies not only in that it constitutes a great start made by one country in causing a breach in the system of imperialism and that it is the first centre of Socialism in the ocean of imperialist countries, but also in that it constitutes the first stage of the world revolution and a mighty base for its further development. 5/

Thus the change in tactics required by the new doctrine was explained to be no alternative to world revolution but a vital step toward it. "He who does not understand this peculiar feature of the October Revolution," added Stalin, "will never understand either the international nature of this revolution ... or its peculiar foreign policy." 6/

Thus it was only with the "ebbing of the revolution tide" in Europe and the establishment of what appeared to be at least a temporary equilibrium between capitalism and socialism that some readjustment of Communist doctrine was made mandatory in terms of an indeterminate period of "peaceful coexistence with the capitalist encirclement"; but that the coexistence need not necessarily be peaceful or, indeed, very long was implicit in the concept. The pursuit of international proletarian victory was now less a matter for eager and dedicated Marxists the world over than a task to be accomplished through the instrumentality of a militarily powerful and economically viable Soviet state. The "new economic policy" (NEP) and the forced industrial development of the early Five Year Plans were victories to be won on the home front before a final assault on world capitalism could be undertaken.

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Perhaps the most convincing demonstration of the impermanence which Soviet leaders attached to their proffers of peaceful coexistence is provided by Soviet doctrine itself, in the concept of the "inevitable clash." This assumption of irreconcilable hostility between capitalism and socialism has been so much an integral part of Marxist doctrine and has so permeated the thinking of Lenin and Stalin that current Soviet propagandists have been forced to rationalize coexistence in terms of "living Marxism" and "new conditions" rather than in terms of logical or doctrinal consistency.

The fundamental concept of inevitable clash has been reiterated in every period of pre-Stalin Soviet history. An ultimate struggle between the two systems was persistently portrayed as an integral part of a historical process the culmination of which was to be the establishment of a worldwide, classless, stateless society. The question "Kto kogo?" -- "Who will conquer whom?" -- implies Soviet belief in this ultimate clash. Both Lenin and Stalin clothed the struggle between capitalism and communism with an inescapable either-or quality which made peaceful coexistence of the two systems a matter of tactical expediency rather than an end desirable in itself. "As long as capitalism and socialism exist," wrote Lenin in 1920, "we cannot live in peace; in the end one or the other will triumph -- a funeral dirge will be sung over the Soviet Republic or over world capitalism. This is a respite in war." 7/ In the light, however, of the pressing internal economic demands of the Soviet state, it was clearly to the interest of the Soviet leadership to postpone this conflict until a time of its own choosing.

Faced with the failure of concurrent revolutions in Europe, the surprising recuperative powers of world capitalism, and economic dislocation in the USSR, Soviet theoreticians rationalized a period of prolonged coexistence with the non-Communist world. What the USSR needed was time, a breathing space in which to fulfill Lenin's injunction to "overtake and surpass" the capitalist West. Communism was forced to make important concessions to the exigencies of the moment, but in its steadfast adherence to the assumption of irreconcilable hostility between the Communist and capitalist worlds, it left little doubt as to the historical role coexistence was to play in Soviet strategy. It was a policy to be followed in interludes between conflicts; a temporary respite which Lenin himself characterized as a "means of mustering forces for new battles."

The implication of universal destruction inherent in thermonuclear war and a consequent significant transformation of the Soviet concept of the "inevitable struggle" in the postwar era -- a change in means and immediate objectives if not in the fundamental antagonism itself -- is discussed in VII, below.

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B. Commercial Implications.

As the theme of "peaceful coexistence" early in Soviet history became a tactical expedient of Soviet foreign policy, so too was foreign trade considered an integral element of that policy. At the Economic Conference which convened in Genoa on 10 April 1922 -- the first major international meeting at which the USSR was represented -- the Soviet delegate formulated one of the earliest practical expressions of the economic coexistence of the two social systems, as follows: "Adhering to the principles of Communism, the Russian delegation recognizes that in the present historical epoch which makes possible the parallel existence of the old and the newly born social systems, economic cooperation between states representing these two property systems is an imperative necessity for general economic recovery." 8/ The commercial advantages which the NEP seemed to promise to the capitalist West -- a West considered to be market hungry and short of raw materials -- were deemed by Soviet leaders as much an inducement for economic cooperation as were the industrial demands of the Soviet state. In 1922, Lenin stated the following:

The bourgeois countries must trade with Russia; they know that without some form of economic relations their collapse will proceed further than it has gone up to now. ... The interests of all the capitalist states ... call for the development, regulation, and expansion of trade with Russia. Since such interests exist ... this fundamental economic necessity will hew a road for itself.* 9/

The economic realities which provided a basis for "mutually profitable" trade between the USSR and the capitalist West were made further explicit by Stalin in 1926, as follows:

* The emphasis on the "advantages" to be derived by the West in trade with the USSR has been a recurrent one in Soviet trade offers. In the ECE in April 1958, economic cooperation between East and West was offered as a means of softening the effect of the Western recession. The Soviet delegate declared that "we do not rejoice at the sight of growing unemployment in the West" and reminded his listeners that during the US depression in the 1930's "orders placed abroad by the Soviet Union gave employment to many thousands of workers" in the West. In a similar vein, Khrushchev's letter to President Eisenhower on 3 June 1958 suggested that increased Soviet-US trade "would enable American industries to work at a higher percentage of their capacity and would raise the level of employment."

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Not only does our economy depend upon the capitalist countries, but the capitalist countries too depend upon our economy, upon our oil, our grain, our timber and, lastly, our boundless market. We receive credits, say, from Standard Oil. We receive credits from German capitalists. But we receive them not because of our bright eyes, but because the capitalist countries need our oil, our grain, and our market for the disposal of their machinery. It must not be forgotten that our country constitutes one-sixth of the world, that it constitutes a huge market, and the capitalist countries cannot manage without some connection or other with our market. All this means that the capitalist countries depend upon our economy. 10/

One year later, in 1927, Stalin told a visiting US labor delegation that "the existence of two opposite systems, the capitalist system and the socialist system, does not preclude the possibility of ... agreements ... and that such agreements are possible and expedient under conditions of peaceful development."

Exports and imports are the most suitable ground for such agreements. We need equipment, raw materials (raw cotton, for example), semi-manufactures (from metals, etc.), while the capitalists need oil, timber, grain products; we need a market for those goods. There you have a basis for agreements. We need credits; the capitalists need good interest for their credits. There you have still further basis for agreements -- namely, in the field.

Stalin took great pains, however, to emphasize the limited and "temporary" nature of such agreements. "The limits to these agreements," he maintained, "are set by the opposite characters of the two systems, between which there is rivalry and conflict. Within the limits allowed by these two systems, but only within these limits, agreement is quite possible." 11/

Perhaps the most explicit statement of the "limits" within which the USSR was willing to trade in the prewar period was that contained in the program adopted by the Sixth World Congress of the Comintern in September 1928. Its prophetic anticipation of the course of Soviet foreign trade in the ensuing 30 years warrants its quotation in full, as follows:

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The simultaneous existence of two economic systems, the Socialist system in the USSR and the Capitalist system in other countries, imposes on the Proletarian State the task of warding off the blows showered upon it by the capitalist world (boycott, blockade, etc.), and also compels it to resort to economic maneuvering and utilizing economic contacts with capitalist countries (with the aid of the monopoly of foreign trade -- which is one of the fundamental conditions for the successful building up of Socialism, and also with the aid of credits, loans, concessions, etc.). The principal and fundamental line to be followed in this connection must be the line of establishing the widest possible contact with foreign countries -- within limits determined by their usefulness to the USSR -- i.e., primarily for strengthening industry in the USSR for laying the base for her own heavy industry and electrification and, finally, for the development of her own Socialist engineering industry. Only to the extent that the economic independence of the USSR in the capitalist environment is secured, can solid guarantees be obtained against the danger that Socialist construction in the USSR may be destroyed and that the USSR may be transformed into an appendage of the world capitalist system. 12/

III. Soviet Foreign Trade in the Prewar Period (1918-40).

A. Foreign Trade and "War Communism" (1918-21).

With its advent to power in November 1917 the Soviet government introduced little reorganization of Russian foreign trade beyond the enforcement of an all-embracing system of export and import licenses. The nationalization of foreign trade was proclaimed only several months later in April 1918. But other than to declare that the central government was henceforth to carry out the country's foreign trade, the decree of nationalization did not specify which organizations were to carry out import and export transactions on behalf of the state. Occasional purchases of essentials were made by representatives of the Commissariat of Commerce and Industry in foreign countries, and no definite foreign trade machinery was devised during the years 1918-20.

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The negligible role played by foreign trade during the period of "War Communism" is not difficult to explain. From a doctrinal point of view, the question of foreign trade could hardly have been a pressing one for Soviet planners preoccupied with thoughts of world revolution and of an international proletarian Soviet republic. Prerevolutionary Communist literature is singularly devoid of any discussion of the subject. From a more practical point of view, however, the Allied blockade imposed on the Soviet state in the wake of the German collapse in November 1918 virtually ended all commercial relations with Western Europe, and the ensuing civil war severed the last remaining link with Russia's traditional Asian markets and sources of supply. Imports and exports, which had shrunk to trivial proportions in 1918, almost vanished in 1919 (see Table 1).

Table 1

Soviet Foreign Trade a/
1913 and 1918-20

Million US \$		
<u>Year</u>	<u>Exports</u>	<u>Imports</u>
1913	1,324.5	1,197.9
1918	7.1	91.7
1919	0.1	2.8
1920	1.2	25.0

a. Dollar figures are given in current prices recalculated from ruble values at the present official rate of 4 rubles to US \$1.-

A so-called "gold blockade" imposed by the West in 1920 served to deprive the Soviet authorities of the one means of payment which they might have used to obtain much-needed imports.*

B. Foreign Trade and the "New Economic Policy" (1921-27).

It was, as we have seen, only with the establishment of what appeared to be at least a temporary equilibrium between

* The gold blockade was lifted only after the conclusion by the RSFSR of a trade agreement with the UK in March 1921, concurrent with the adoption of the NEP.

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capitalism and socialism that some readjustment of Communist doctrine was made mandatory in terms of an indeterminate period of "peaceful coexistence with the capitalist encirclement." The equilibrium which "replaced the phase of war by a phase of respite ... which changed a brief respite into an entire period of respite," declared Stalin in 1925; "gave us the opportunity, as Il'ich Lenin said, for some kind of 'collaboration' with the capitalist world." 13/ The pursuit of international proletarian victory therefore became a task to be accomplished through the active leadership of a militarily powerful and economically viable Soviet state -- a state made strong by the skillful exploitation of the experience and resources of the capitalist West.

The objectives of Soviet foreign economic policy were implicit in Lenin's stern admonition: "Either death or we overtake and surpass the advanced capitalist countries." He also said: "We are behind the advanced countries by fifty or one hundred years. We must cover this distance in ten years; we either do this, or we shall be crushed." 14/ An official journal made even more explicit the urgent task which faced the nation's foreign commerce:

It will be necessary to export what we need ourselves simply in order to buy in exchange what we need even more. For every locomotive, every plough, we shall be obliged literally to use pieces torn out of the body of our national economy. 15/

It was largely through the medium of a monopoly of foreign trade that the fledgling Soviet state sought realization of its two basic economic goals -- "maximum assistance to and stimulation of the country's productive forces, and defense of the building socialist economy against encroachment by capitalist countries." 16/ Characterized by Lenin as a "commanding height" of the socialist economy, the foreign trade monopoly was itself so merged with ultimate Bolshevik success that, in the words of one Soviet official, "the Soviet Union cannot contemplate its existence without this monopoly." 17/

Stalin himself was no less expansive in his appreciation of the foreign trade monopoly as a vital protective buffer against a hostile capitalist environment. In a speech before the Seventh Plenum of the Executive Committee of the Communist International in 1926, he declared:

Capitalist control means a free run of our market; it means abolition of the monopoly of foreign trade. I know that the Western capitalists have

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time and again dashed their heads against the wall trying to shatter the armour-plate of the foreign trade monopoly. You know that the foreign trade monopoly is the shield and protection of our young socialist industry. But have the capitalists achieved any success in liquidating the foreign trade monopoly? Is it so hard to understand that so long as Soviet power exists, the foreign trade monopoly will continue to live and flourish, in spite of everything? 18/

A year later, in an interview with a Delegation of American Trade Unionists, Stalin also said:

In point of fact, what would the abolition of the monopoly of foreign trade mean for the workers? For them it would mean abandoning the industrialization of the country, stopping the construction of new mills and factories, and the expansion of the old ones. For them it would mean flooding the USSR with goods from capitalist countries, winding up our industry because of its relative weakness, an increase in unemployment, a worsening of the material conditions of the working class, and the weakening of its economic and political positions.

And what would the abolition of the monopoly of foreign trade mean for the laboring masses of the peasantry? It would mean transforming our country from an independent country into a semi-colonial one and impoverishing the peasant masses. ... Is it not obvious that the laboring masses of the peasantry cannot be in favor of abolishing the monopoly of foreign trade?

Any group that would demand abolition of the monopoly of foreign trade, concluded Stalin, "could not support the Soviet government, because such a group could only be one that was profoundly hostile to the whole Soviet system." 19/

The monopoly of foreign trade during the period of economic rehabilitation was faced with the task of providing the goods needed to put Soviet factories back in production. Imported goods which were required to restore former levels of industrial output took precedence -- almost to the point of exclusion -- over those imports classified for "consumption" (see Table 2*).

* Table 2 follows on p. 14.

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Table 2

Percentage Distribution of Soviet Imports
of Producer and Consumer Goods ^{a/}
1922/23 to 1926/27 Compared with 1909-13 Average

Year	Percent	
	Producer Goods	Consumer Goods
1909-13 (average)	73	27
1922/23	76	24
1923/24	84	16
1924/25	69	31
1925/26	84	16
1926/27	91	9

a. 20/

With the aid of imported raw materials and equipment, the Soviet government was enabled, during the first 10 years of its existence, to restore the industry, transportation, and agriculture of the country to their prewar effectiveness.

In spite of urgent domestic requirements, the volume of Soviet exports and imports increased about sevenfold during the period 1921-28 as Soviet gold resources and foreign credits were more effectively utilized (see Table 3*).

C. Foreign Trade and the Five Year Plans (1920-40).

Procurement on a scale required by the First Five Year Plan (1928-32) constituted a major challenge to the Soviet trading apparatus. The Commissariat of Foreign Trade was called upon to obtain a wide range of industrial equipment and raw materials then unavailable within the USSR. At the same time, it was expected to raise from domestic production a volume of exports commensurate with the foreign-exchange needs of the enlarged import program.

The scarcity of exportable commodities was aggravated during the First Five Year Plan and the world depression, when prices of raw materials and agricultural products -- the bulk of Soviet exports -- drastically declined in the world market. So urgent, however, was the need for imports to carry out the First Five Year Plan that

* Table 3 follows on p. 15.

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Table 3

Soviet Foreign Trade a/
1921-28

Million US \$			
<u>Year</u>	<u>Exports</u>	<u>Imports</u>	<u>Balance</u>
1921	17.5	183.5	-166.0
1922	71.0	235.0	-164.0
1923	190.0	124.8	+ 65.2
1924	293.8	226.5	+ 67.3
1925	530.0	720.3	-190.3
1926	631.3	600.0	+ 31.3
1927	650.0	660.5	- 10.5
1928	700.0	830.5	-130.5

a. Dollar figures are given in current prices recalculated from ruble values at the present official rate of 4 rubles to US \$1.

imports (particularly machinery and equipment*) were expanded in spite of the impossibility of paying fully for them out of the

* Machinery and equipment accounted for almost three-quarters of total Soviet imports during 1931-32. Approximately one-third in 1931 and almost one-half in 1932 of the world export of machinery and equipment were sent to the USSR. As domestic production increased, however, Soviet reliance upon foreign suppliers diminished. Indexes of Soviet production and imports of machinery for the years 1929-37 are as follows 21/:

1929 = 100		
<u>Year</u>	<u>Production</u>	<u>Imports</u>
1929	100	100
1930	176	182
1931	294	222
1932	369	148
1933	433	57
1934	468	22
1935	612	22
1936	1,106	47
1937	1,343 (Plan)	33

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receipts derived from current export trade. Instead of the favorable balance of trade called for by almost every Party pronouncement, the actual developments in the Soviet export and import trade resulted in a persistently unfavorable trade balance between 1927 and 1932 (1929 excluded) and contributed to the growing indebtedness of the USSR.

Debts had to paid, however, and a favorable balance of trade was therefore essential. All previous efforts to augment the export capability of the USSR had met with little success in the light of the adverse terms of trade on the world market and the ambitious growth rates of the domestic Five Year Plan. The solution now was to be found in a drastic curtailment of Soviet imports. Never reluctant to make a virtue out of necessity, Soviet economists rationalized the curtailment of imports as evidence that "technical and economic independence from the capitalist world" had been achieved and that consequently the USSR "was enabled to implement the Second Five Year Plan with fewer imports." 22/

The conclusion of the First Five Year Plan; the Soviet policy of restricting imports; the improvement in Soviet terms of trade; and the considerable increase in the production of gold, which became available for a rapid repayment of foreign indebtedness, were factors which contributed to a marked improvement in the Soviet balance of payments. The USSR was able to achieve an active balance of trade for every year between 1933 and 1937 and accumulated fairly substantial foreign-exchange balances, particularly in pounds sterling (see Table 4*).

In brief, the fundamental aim of prewar Soviet economic policy was that expressed in the draft of the First Five Year Plan: "Our country is conducting an unexampled experiment in capital reconstruction on a huge scale at the cost of current savings, at the cost of a rigid regime of economies and of a renunciation of present-day needs in order to achieve great historical objectives." In compliance with this general guiding principle, the Commissariat of Foreign Trade systematically decreased imports of articles for personal consumption and increased imports of means of production. The imports of these two basic groups of commodities fluctuated in relation to total imports, as shown in the following tabulation:

Group	Percent				
	1913	1924-25	1927-28	1932	1937
Consumer goods	30	31	13	8	9
Producer goods	70	69	87	92	91

* Table 4 follows on p. 17.

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Table 4

Soviet Foreign Trade a/
1929-38

Million US \$			
<u>Year</u>	<u>Exports</u>	<u>Imports</u>	<u>Balance</u>
1929	804.8	767.3	+ 37.5
1930	903.0	922.5	- 19.5
1931	706.8	962.8	-256.0
1932	501.0	613.5	-112.5
1933	431.8	303.5	+128.3
1934	364.5	202.5	+162.0
1935	320.0	210.3	+109.7
1936	270.3	269.0	+ 1.3
1937	327.8	254.0	+ 73.8
1938	255.3	272.5	- 17.2

a. Dollar figures are given in current prices recalculated from ruble values at the present official rate of 4 rubles to US \$1.

That this heavy importation of goods from the West, however, was not to foreshadow any permanent dependence on Western sources of supply was soon to become evident. By 1932, Soviet leaders were declaring their "economic independence" from the capitalist countries and boasted that the USSR could proceed with the Second Five Year Plan (1933-37) on the basis of an "insignificant import." Four years later the authoritative Soviet foreign trade journal Vneshnyaya trgovlya affirmed triumphantly: "The Second Five Year Plan is being put into force with an insignificant amount of importation. The Third Five Year Plan [1938-42] can be fulfilled almost without any imports. All of this testifies to the gigantic success of our socialist economy, of the constant further strengthening of the technical and economic independence of the USSR from the external world." ^{23/} By 1937, Soviet imports had indeed been reduced to almost one-fourth the level of 1931, and imports of machines and equipment to one-seventh that of 1931.

The evolution of Soviet foreign trade during the periods of 1925-32 and 1933-37 furnishes an illuminating precedent for evaluating the current Soviet trade drive. Given all the inadequacies of argument from historical analogy, history in this case does appear to offer a parallel that is not easily dismissed. In its current

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program to expand and modernize the chemical and chemical equipment industries, for example, the USSR looks once more to the West for a contribution in advanced technology. There remains, however, the very likely prospect that if the West does provide the needed machinery and equipment, these will be immediately applied toward making the USSR independent of the need for such imports as soon as possible or, more importantly for the West, will enhance Soviet capability to continue an "economic offensive," the consequences of which are already of major concern.

IV. Autarky, Security, and the Soviet State (1928-40).

It would be erroneous to conclude that Soviet economic planners ever viewed the attainment of self-sufficiency as desirable per se. Neither in the writings of Marxist economic theoreticians nor in the official pronouncements of the Soviet government can one find autarky advocated as an integral element of Communist economic philosophy. On the contrary, the opposite was commonly asserted, and the advantages and desirability of participation in an international division of labor and of the worldwide exchange of goods were recognized by Soviet leaders insofar as they would contribute to the strengthening of the Soviet state. Soviet commercial policy in the prewar period was, in essence, a double-edged sword. Underlying the desire for expansion of trade with the West was a goal never lost sight of by Soviet economic planners -- the quest for an economically self-reliant state. This apparent paradox in Soviet commercial policy -- efforts to increase trade on the one hand and an equally determined desire to achieve self-sufficiency on the other -- need not be a source of confusion. The two policies, far from being mutually exclusive, served to complement each other. Economic realities had clearly demonstrated to Soviet economic planners that selective trade with the more technically advanced countries of the West constituted a major instrument for the more rapid achievement of that greater self-sufficiency for which Soviet leaders strove. In 1930, one Soviet official stated the following:

In the final analysis, the balance of the trade relations between the Soviet Union and the world market shall be of a nature as to contribute to the strengthening of the economic independence and national defense of the USSR against the capitalist world. There is nothing contradictory about this policy. It is a result of and is dictated by all the conditions of the coexistence of the socialist and capitalist systems of economics and the great historical competition that is taking place between these two economic systems. 24/

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If the actual policies of the Soviet government have been consistently directed toward rendering the USSR economically independent of the outside world, they stemmed less from a slavish acceptance of autarky as a valid principle of Soviet economics than from a practical quest for security against the resumption of another economic blockade and a determination more effectively to "build for itself that defensive rock against which break the waves and blows of the world market, world exchanges, crises, and fluctuations." 25/ "[This] line is imperative," declared Stalin, "as long as the capitalist encirclement exists." 26/ In 1926 he said:

No one denies that there exists a dependence of our national economy on the world capitalist economy. To depict a socialist economy as something absolutely self-contained and absolutely independent of the surrounding national economies is to talk nonsense. Can it be asserted that a socialist economy will have absolutely no exports or imports, will not import products it does not itself possess, and will not, in consequence of this, export its own products? No, it cannot. ... Our country depends upon other countries just as other countries depend on our national economy; but this does not mean our country has thereby lost, or will lose its independence, that it cannot uphold its independence, that it is a capitalist economy. 27/

In spite of the demonstrated advantages of international trade during the period of reconstruction, the economic blockade of 1917-20 remained for the Bolsheviks a symptom and a symbol of their isolation in a hostile world. Stalin's almost pathological concern for "security" continued to dominate Soviet foreign trade policy throughout the prewar period, and the pursuit of economic self-sufficiency became an openly avowed principle of Soviet commercial policy.

With perhaps more bravado than truth, Foreign Trade Commissar Anastas Mikoyan triumphantly declared in 1939: "Now with the victory of socialism the country has become so rich that it can retain for itself everything that it needs and export only the surplus. Our country is so strong now in the economic sense that it can satisfy its fundamental needs without imports." 28/ An authoritative study on world trade, published by the Ministry of Foreign Trade in 1940, voiced approval of the fact that the USSR ranked second among the nations from the point of view of industrial production and nineteenth with respect to foreign trade. This fact, the study concluded, "confirms once more the absence in our country of that dependency upon the foreign market which is experienced by the capitalist nations." 29/

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V. War Years (1941-45).

When Mikoyan boasted in 1939 that the USSR "is so strong now in the economic sense that it can satisfy its fundamental needs without imports," he had little reason to expect it to be put to an acid test scarcely 2 years later. With the rapid German advance in June 1941, the expansion of import requirements, both civil and military, coupled with the deprivation of many of the richest agricultural and industrial areas in the USSR, necessitated a profound transformation in the pattern of Soviet foreign trade. Soviet commodity imports in 1943 increased almost fivefold, and commodity exports fell to almost one-fourth of the 1940 level (see Table 5).

Table 5

Soviet Foreign Trade a/
1940 and 1942-43

	Million US \$		
	<u>Exports</u>	<u>Imports</u>	<u>Total</u>
1940	266.4	272.8	539.2
1942	75.3	520.0	595.3
1943	70.4	1,596.2	1,666.6

a. 30/

To meet the Soviet need for immediate outside aid, the US lend-lease and the UK and Canadian mutual aid programs transferred goods worth almost \$13 billion to the USSR during the course of the war. Although the paucity of trade data makes difficult any quantitative estimate of the effects of the wartime disruption of the USSR's normal pattern of trade on its internal economy, at least this much seems clear: without the aid of its three Western allies the continued survival of the USSR would have been immeasurably more difficult.

VI. Soviet Policy on Trade with the West in the Postwar Period.

With the postwar consolidation of Soviet power in Eastern Europe and the promise of rapid technological advances at home, Soviet foreign economic activity appeared to be less firmly anchored in the concept of self-defense and was assigned more aggressive missions, the

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most important being the creation of an economic Bloc. "As far as this area is concerned," said Mikoyan in 1949, "the monopoly of foreign trade no longer performs the function of protecting the Soviet economy but becomes a means for the planned linking of the Soviet economy with the economies of the nations of the peoples democracies, directed toward mutual cooperation in economic development." 31/

The concentration of Soviet efforts to provide an ideological framework for the self-contained trading area it has created among its Satellites reached its zenith in the summer of 1952, when Stalin promulgated the thesis of "two parallel world markets." In his last work, Economic Problems of Socialism in the USSR, Stalin contended that "the disintegration of the single, all-embracing world market must be regarded as the most important economic sequel of the second world war," and he warned the West that the strength and unity of the socialist camp would soon prove a powerful commercial competitor for the capitalist powers:

It may be confidently said that with this pace of industrial development, it will soon come to pass that these countries will not only be in no need of imports from capitalist countries, but will themselves feel the necessity of finding an outside market for their surplus products. 32/

Indeed, during the last years of Stalin's rule, the level of Soviet exchange with the markets of the West was allowed to drift downward. The guiding policy here, apparently, was to punish the West and, if possible, to lend force to the repeated Soviet argument that the security safeguards in trade adopted by the Western nations in 1948-49 would prove harmful only to themselves. During the period 1948-53 the share of the Free World declined from 50 percent to 17 percent of total Soviet foreign trade.

The advent of Malenkov to power in 1953 and the expansion of imports from the Free World implicit in his program to raise standards of consumption in the USSR provided an ironic refutation of the prognosis contained in Stalin's last work. In spite of the emphasis on intra-Bloc trade, the need for imports from the West, now hampered by Free World trade controls, was becoming more imperative for the USSR in the light of its own projected economic growth and of increasing Satellite requirements for industrial equipment. By 1954 the European Satellites were ceasing to represent for the USSR a fruitful plundering ground from which it could obtain at little or no cost goods which were needed to augment Soviet resources. Indeed, by 1956 the increasing flow of financial assistance from the USSR, coupled with the elimination of some of the more obvious

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Soviet abuses, had begun to evidence a shift in the net flow of real goods and services in favor of the Satellites.

With the USSR accounting for little more than 1 percent of total Free World trade, however, it was difficult for Soviet strategists to build a strong case for the significance of the Soviet market in the commercial life of the West. Although the loss resulting from the decline in the volume of trade was mutual, there was a notable difference in effect upon the economies of the two areas concerned. The West had little difficulty in replacing Soviet raw materials from overseas sources. The USSR, on the other hand, could find no ready substitute for many items of modern industrial equipment in any other market than that of the industrial West.

From the Soviet point of view, then, this lapse in commercial contact had to be mended as quickly as possible. The only way to reverse the downward trend in trade with the West was by practical action. Under the circumstances, this action had to be initiated by the USSR, simply by bringing more of its goods to the Western markets and by placing a larger volume of orders with Western producers. Once the Soviet government decided to reverse the trend in its trade with the West, it had no difficulty in getting results. Demand for the standard type of Soviet exports on the part of expanding Western industry was quite firm. Improved Soviet performance in supplying these markets, and increasing its earnings there, resulted in a steady increase in the exchange of commodities. Between 1953 and 1957 the value of Soviet trade with the Free World increased from \$1 billion to \$2.189 billion, an increase of 119 percent.

Efforts were now intensified to rationalize the avowed quest for self-sufficiency with the already manifest expansion of trade ties with the West. An example of such efforts is the following quotation from M. Nesterov, Chairman of the Soviet Chamber of Commerce:

To the question of whether the Soviet Union can exist without trade with the capitalist countries and manage with its own resources and industrial production, the answer may be found in the past, when the Soviet state carried on and developed its economy in spite of a blockade. At the present time the USSR enjoys ample opportunities to build up its economy without extensive foreign trade, but this by no means signifies that it is tending toward autarky. The fact is that one way of assuring the most expedient and rapid development of economy is participation in international division of labor through trade with foreign countries. 33/

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And in a similar vein, V. Spandaryan, Soviet economist and trade official, reconciled the desire for autarky with increased East-West trade in the following terms:

Opponents of wider East-West trade usually put forward the following "arguments" that East-West trade is at a low ebb and does not develop, firstly, because the countries of the East are interested in importing from the West only a limited range of goods and because, it is alleged, they are leaning towards autarky; and, secondly, because the countries of the East lack adequate resources for exports. A glance at the facts will show how unfounded and fictitious these "arguments" are. The authors and propagandists of this kind of "argument" cannot or do not wish to understand that a desire for economic independence or self-sufficiency is by no means equivalent to a "leaning toward autarky." The Soviet Union is a great economic power. Its economy is of course quite self-sufficient, independent, and able to meet the growing requirements of the population and of advancing its own progress. But does that lead to self-isolation, to autarky? Not in the least. On the contrary, it is precisely the uninterrupted progress of Soviet economy that creates greater possibilities for the expansion of the USSR's foreign trade and other economic relations with all countries of the world. 34/

The Twentieth Party Congress in February 1956, characterized by First Deputy Premier Mikoyan as "the most important Party Congress since Lenin," was notable, among other things, for some important pronouncements on foreign trade. The restrictive implications for foreign trade contained in the Stalinist concept of "two parallel world markets" as enunciated in Stalin's Economic Problems of Socialism in the USSR was subject to tacit modification by the Congress. Mikoyan urged Soviet economists "to make a deep study and critical review ... from the point of view of Marxism-Leninism" of certain postulates in the Economic Problems and denied that the existence of the second world market did, indeed, preclude trade "between all countries":

We firmly believe that stable, peaceful coexistence is unthinkable without trade, which can be a good basis for this in spite of the establishment of two world markets. The existence of two world markets -- those of socialism and capitalism -- not only does not preclude, but, on the contrary, presupposes a developed, mutually profitable trade between all countries. The correct

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understanding of this question is of fundamental importance from the point of view of the coexistence of the two worlds and is also of practical, economic importance. 35/

On 11 March 1958, in a preelection speech to his Yerevan constituents, Mikoyan dealt a final blow to the Stalinist thesis of "two parallel world markets." He attacked certain "comrade economists" who, basing themselves on the Soviet concept of a division of the world economy into two world markets, socialist and capitalist, conclude that there is no possibility of significant or meaningful trade or other economic ties between the two markets:

We have, however, economists who reason thus: once we say that the world market is split into two markets, this means that it is impossible already to speak of any unity of the two world markets; it means there is no world economy; there are not even world prices. These comrade economists obviously have forgotten that unity is not identity, that there is the unity of opposites and, in the given case, of antagonistic opposites.

But all the same this is unity. To deny this means to err and to perpetrate a gross mistake, to proceed from a dogmatic interpretation, to close one's eyes to the existing significant trade turnover between the two markets and to other forms of economic ties. If one looks more deeply, then [one sees that] such reasoning essentially contradicts the Leninist principle of the coexistence of the two systems. ...

And in this connection, we now stand and will stand on the position of Lenin, who considered that there is a force greater than the wish, will, and decision of any government or class, and this force is general, universal economic relations. 36/

Most recently, Khrushchev, in his report to the Central Committee Plenum of 6 May 1958, also pointed to a dispute over the issue of East-West trade, suggesting that those "comrades" on the "wrong" side had argued that such trade helps to shore up capitalism:

Some comrades may allege that we cannot profit from increased orders from the United States, West Germany, Britain, and other capitalist countries. By so doing we, as it were, support capitalism. These comrades are wrong. We stand on Leninist position and proceed from

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the fact that we live at a time when two systems -- the capitalist and socialist -- exist, and economic relations between them can develop on a mutually advantageous basis. 37/

Why such questions should be posed at this time and what the specific sources of contention may be are, at present, matters for speculation. It is not unlikely, however, that the position attributed to the "comrade economists" is one of favoring the more orthodox Stalinist concept of economic isolationism and in opposition to the "new look" in Soviet foreign economic policy. In light of what purports to be a policy of expanding trade ties with capitalist nations, the Soviet leadership may well feel constrained to quell any latent domestic opposition to this policy by branding its adherents as "dogmatists" and non-Marxists.*

VII. From "Peaceful" to "Competitive" Coexistence.

The apparent acceptance by Soviet leaders of the idea of a non-violent, economic competition with the capitalist West necessitated the readaptation of some fundamental doctrinal tenets in response to "changed conditions." The exaggerated Communist polar view of the world, the dichotomous split between the "capitalist and socialist world," had provided a major rationale for prewar Soviet foreign trade policy. Stalin himself often repeated that, as long as the capitalist encirclement exists, "our economy shall develop ... as an independent economic entity relying chiefly on the internal market." 39/

* Some intimation of such differences was provided by what seems to be a calculated Soviet effort to suppress Maxim Saburov's speech of 4 February at the Twenty-first Party Congress. Pravda's failure to print the speech is striking in light of its publication, in full text, of every other speech reported by Radio Moscow to have been delivered at the Congress. Saburov's speech appeared in full print for the first time with the publication of the official Stenographic Report of the Congress. In his speech, Saburov is reported to have charged the "antiparty group" with having "opposed or delayed decisions on vital measures in the sphere of foreign policy-- namely, the necessity to develop our economic relations with the people's democracies and to extend them economic assistance -- to say nothing of the program to aid the underdeveloped and dependent countries of Asia and the Near East." If Saburov's speech was deemed to give unwelcome publicity to opposition by people such as Molotov to Khrushchev's program of loans and assistance to neutral countries, concern over the reaction of elements both in the USSR and in the Bloc who may well have agreed with Khrushchev's opponents could have been one factor prompting suppression of the speech. 38/

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But that such doctrinal dicta were not to prove an obstacle to increased East-West exchanges was made clear at the Twentieth Party Congress in January 1956, where Khrushchev relegated Stalin's already diluted theses of "capitalist encirclement" and the "inevitable clash" to historical significance only -- to a time when the USSR, the "first socialist state," was a beleaguered island in a hostile capitalist sea. "The main feature of our epoch," declared Khrushchev, "is the emergence of socialism from within the bounds of a single country and its transformation into a world system." Two years later, Khrushchev repeated: "One cannot speak any longer about capitalist encirclement in the former conception of it." With the formation of the world system of socialism, he said, "it is not known who encircles whom, whether the capitalist countries encircle the socialist states, or vice versa. The socialist countries cannot be considered as some kind of island in a rough capitalist sea."* 42/

The logical inconsistency of advocating "peaceful coexistence" and an expansion of trade with the West, on the one hand, and the "inevitability" of war, on the other, was also not lost on Soviet theoreticians. At the Twentieth Party Congress, efforts were made

* At the Twenty-first Party Congress the concept of "capitalist encirclement" was still further vitiated as a determinant of Soviet foreign policy. It will be recalled that the danger of intervention posed by the "capitalist encirclement" was repeatedly advanced by Soviet leaders during the prewar period as the major obstacle to the "final" victory of socialism in the USSR and to the ultimate establishment of a Communist society. In his much-publicized Letter to Ivanov in 1938, Stalin declared, "Only blockheads or masked enemies ... can deny the danger of military intervention and of attempts to restoration [of capitalism] as long as the capitalist encirclement exists." Although socialism in the USSR had been "built in essentials," he contended, "we could say that this victory was final if our country were situated on an island and had not been surrounded by a number of other, capitalist countries. But since we live not on an island but in a 'system of states,' a considerable number of which are hostile to the country of socialism, thus creating a danger of intervention and restoration, we say openly and honestly that the victory of Socialism in our country is not yet complete." 40/ Twenty years later, at the Twenty-first Party Congress, Khrushchev confidently asserted: "No forces exist at present in the world capable of restoring capitalism in our country and of shattering the socialist camp. The danger of the restoration of capitalism in the Soviet Union has been excluded. This means that socialism has triumphed, triumphed fully and finally. Thus, it can be considered that the problem of building socialism in one country, of its complete and final victory, has been solved by the world-historic progress of social development." 41/

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to reconcile the embarrassing contradiction between the doctrine of inevitable conflict and Soviet expressions of a peaceful foreign policy. Khrushchev, accordingly, rejected the allegation that the USSR puts forth the principle of coexistence from purely tactical considerations and proclaimed the doctrine "a basic principle of Soviet foreign policy." He declared that Soviet Bloc strength and political conditions have so changed since Lenin's day that "war is not fatalistically inevitable."* The socialist system will win the competition between the two systems, he added, but "this by no means signifies that its victory will be achieved through armed interference by the socialist countries in the internal affairs of the capitalist countries." ^{45/} Virtually repudiating Lenin's stern admonition voiced 40 years earlier, that "as long as capitalism and socialism exist, we cannot live in peace," Khrushchev at the Twenty-first Party Congress predicted the "real possibility of excluding world war from the life of society ... even before the universal triumph of socialism, while capitalism still exists in a part of the world." ^{46/}

Thus, impelled by a factor which could not possibly have been foreseen by earlier Soviet policymakers -- that is, the threat of mutual destruction inherent in war in a nuclear age coupled with a rapid growth in the economic capabilities of the Sino-Soviet Bloc -- current Soviet leaders have apparently chosen less violent (if no less effective) means of resolving the East-West power struggle. Peaceful coexistence appears to have been abandoned as a tactical maneuver, as an interval between battles. Instead, in its new competitive form it has become a positive element of Soviet strategy -- it has become the battle itself.

In summary, then, the following conclusions may be drawn from postwar developments in Soviet trade policy. For the present Soviet leaders the determining factor in the world situation is that the development of socialism -- or, more accurately, the transition to Communism -- in the USSR parallels the general "crisis" of capitalism in the West (rather than following it as envisaged by more orthodox Marxian theory). The ability of capitalism to weather successfully the destructive propensities "inherent in its own contradictions" has led to a prolonged (and unexpected) stabilization of world forces -- and to a new Communist stratagem. The "export" of revolution has

* The Soviet renunciation of war as not "fatalistically inevitable" is, however, a conditional one, valid only "at the given moment under the concrete conditions of the present period" and does not exclude the possibility of a "just war." ^{43/} The transition to world Communism may indeed be a peaceful one if, to quote Marx, "the old has enough intelligence to go to its death without a struggle; but forcibly if it resists this necessity." ^{44/}

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been replaced by an emphasis on a rapid economic growth, the ultimate aim of which is to establish the economic and cultural superiority of socialism over capitalism and to spread socialism "by contagion" and "example" and by the sheer weight of its efficacy as an economic system. As long as this parallelism exists, it is likely to be the basic factor in the orientation of both Soviet domestic and foreign policy.

Because the USSR is committed to a rapid rate of economic growth, the achievement of which requires a planned and controlled economy, the Soviet authorities are still unwilling to tolerate any significant vitiation of their exclusive control of the organs of foreign trade or of the subordination of foreign trade to the dictates of the national economic plan. Although imports from the West may indeed be called upon to make a substantial contribution to Soviet economic growth, it is unlikely that such trade will be allowed to attain a level at which it might permit a disruptive Western influence on internal plans. Thus the volume of trade with the West continues to reflect the Soviet world view, but, whereas in earlier years the emphasis was predominantly defensive and therefore tended to inhibit trade, the emphasis now has become more aggressive, and the main factors limiting trade are the administrative requirements of the internal plan.

The USSR thus seeks to resume once again the kind of contact with Western industry which in the past has served to foster the existence of present-day industrial techniques in the USSR by the introduction of tested methods of production which had been developed in the West by slow stages, under the rigorous discipline of cost calculation enforced on the producer in a market economy. Indeed, if Soviet trade were conducted entirely on the basis of the international division of labor or solely in the interest of improving domestic productivity, the West rather than the Bloc would hold the center of the Soviet foreign trade interest. As it is, this sector of the world economy continues to be used by the USSR as a dependable pool of critical goods needed to supplement domestic sources. These imported goods are used mainly to stimulate industrial technology, to balance the annual output of the domestic economy, and to correct the failures and miscalculations of the planning mechanism.

Finally, the intimation of differences of opinion over East-West trade within the USSR suggests that the current, more flexible approach to foreign trade may have elicited some opposition among Soviet economists. Because it is unlikely that the "comrade economists" are objecting to a continuance of traditional Soviet trade, one logical assumption would be that their opposition is directed at the new Soviet economic offensive, particularly in underdeveloped areas. "There certainly is at least a lurking opposition," states

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one recent report, "between the goal of Bloc self-sufficiency on the one hand and the economic offensive in the underdeveloped countries on the other. . . . It is logical to assume that the substantial aid commitments recently undertaken by the USSR have troubled certain groups such as economists, planners, and perhaps even some top leaders, who are keenly aware of internal Soviet needs for capital equipment as well as of the needs of other Bloc countries. 47/ Whatever the sources of contention, however, there is evidence to indicate a growing awareness on the part of Soviet leaders of the need to explain, or, more properly, to explain away, the rapidly expanding trade with the Free World in terms of what has been a traditional Soviet malevolence toward such extensive economic ties.

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APPENDIX

SOURCE REFERENCES

Evaluations, following the classification entry and designated "Eval.," have the following significance:

<u>Source of Information</u>	<u>Information</u>
Doc. - Documentary	1 - Confirmed by other sources
A - Completely reliable	2 - Probably true
B - Usually reliable	3 - Possibly true
C - Fairly reliable	4 - Doubtful
D - Not usually reliable	5 - Probably false
E - Not reliable	6 - Cannot be judged
F - Cannot be judged	

"Documentary" refers to original documents of foreign governments and organizations; copies or translations of such documents by a staff officer; or information extracted from such documents by a staff officer, all of which may carry the field evaluation "Documentary."

Evaluations not otherwise designated are those appearing on the cited document; those designated "RR" are by the author of this report. No "RR" evaluation is given when the author agrees with the evaluation on the cited document.

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